

Real Estate Continues to Defy Gravity

End of the Ultra Cheap Mortgage Loans

The Federal Reserve raised its federal funds in March for the first time in three years to curb rising inflation and rate hikes have continued. This promoted interest rates for home loans to climb, with the average 30-year rate mortgage now at 5%. More rate hikes have been announced for the rest of the year.

Despite recent rate increases, the housing industry outlook is that the market is still strong, with the momentum continuing thru 2022 and perhaps until 2024. Let's look at some of the reasons behind a real estate market that continues to defy gravity.

Housing Market Inventory Hits Record Lows

The inventory of homes available for sale is worth tracking just as closely as interest rates to understand the state of the market.

"The hot job market and rapid wage growth continues to support housing demand, despite the surge in rates and swift home-price appreciation," explains Joel Kan, an economist at

the Mortgage Bankers Association. "However insufficient for sale inventory is restraining purchase activity."

For much of the pandemic, the underlying issue in the housing market has been a lack of inventory. A demographic wave of first-time millennial homebuyers - enticed by the low interest rates, jumped into the market, and dried up inventory. This year inventory levels fell further which has only intensified the housing boom. Rising mortgage rates create costlier mortgages so logically this should mean fewer bidding wars and slower house price appreciation.

Adding to reduced inventory are homeowners turned landlords. Many homeowners began doubling up on their real estate investments. Because mortgages have been historically low since 2019, it has been an opportunity for homeowners to keep their home as a rental unit when they trade up or down to another primary home. Individuals then become real estate investors because of an abundance of home equity and low interest rates.

FOMO Driving Housing Sales & Pricing

Now let's add on buyer FOMO.

Some buyers believe prices will continue to climb and fear they will miss out on snagging lower prices on a home now and get stuck paying more later. This

fear of missing out, or FOMO, effect can drive up prices and expectations of higher prices ahead. Expect the feeding frenzy among homebuyers to continue even as prices and rates climb. The continued limited supply in the market is currently driving demand and so far, outweighs the impact on affordability.

Home Prices Continue to Surge

Home price appreciation was up 19% across the country in 2021 due to limited supply and strong demand from homebuyers seeking to take advantage of the historically low interest rates. And while surging interest rates may cause demand to slow down, experts expect median prices to continue soaring 9% thru 2022. Real estate experts polled in the Zillow Home Price Expectation Survey (ZPHE) expressed that housing inventory won't meet demand until 2024. Home price appreciation will slow down but continue to grow over the next several years.

In summary, housing inventory and mortgage rates will determine how far and how fast home prices will rise this year and next.

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ROYAL GREENBRIAR CANYONS RECENT AREA HOME SALES

As of April 15, 2022

HOMES IN ESCROW OR SOLD SINCE DECEMBER 1, 2021

(date since last RCPOA real estate update)

Address	Bedrooms	Baths	Sq. Ft. House	Sq. Ft. Lot	Sold Price	Days on Market	Status
1330 Imperial Drive	4	4	2,829	13,227	\$ 1,695,000	29	SOLD
1459 E Mountain Drive	3	4	2,140	12,563	\$ 1,900,000	49	SOLD
1810 Las Flores Drive	3	4	3,075	14,336	\$ 2,355,000	9	SOLD
1513 Majestic Way	2	2	1,739	5,619	\$ 1,325,000	14	PENDING
1621 Puebla Drive	2	1	1,410	7,166	\$ 1,230,000	15	SOLD
1521 Roca Drive	4	4	2,868	16,827	\$ 2,730,000	94	SOLD
1502 Royal Blvd	2	3	2,530	11,595	\$ 1,749,000	13	PENDING
1656 Royal Blvd	5	5	4,077	25,453	\$ 2,900,000	20	SOLD
1408 Torres Drive	4	4	3,562	13,609	\$ 2,550,000	18	SOLD
1714 Heather Ridge Dr	4	4	2,977	12,347	\$ 2,699,000	0	Expired

Prepared by Leanne Reynolds, Realtor, exp Realty. An area expert for over two decades.

Definitions:

Cancelled = Seller removed home listing

Hold = Sellers have put sale on hold

Pending = Contingencies removed from purchase offer

Days on Market (DOM) = Number of days home has been for sale

Under Contract = Contingencies are not yet removed

Expired = Sale listing contract period ended

All information taken from Multiple Listing Service